

From Pocket to Wrist: Decision for Vortic Affirmed on Appeal

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We have previously written about the trademark dispute between Vortic—a watchmaker that restores antique pocket watches, and converts them into wrist watches—and the venerated Hamilton Watch Company, which produced its first watch in the 1890s and is still in business today. Vortic uses a restored movement (the internal mechanism), face and hands from pocket watches produced by Hamilton to create “The Lancaster” wristwatch, but the other parts are

produced by Vortic and the ultimate product is also assembled by Vortic.

We previously reported that Judge Alison Nathan of the Southern District of New York had denied Hamilton’s motion for summary judgment and motion for reconsideration, concluding disputes of fact persisted, and that the case at trial would turn on the issue of likelihood of consumer confusion. In addition to considering the standard *Polaroid* factors, because the alleged infringement related to refurbished goods, Judge Nathan applied a “crucial supplemental factor” from the Supreme Court’s decision in *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 128-31 (1947), whether Vortic provided adequate disclosure of the nature of the watch being sold as a “modified genuine product.”

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Following a one-day bench trial, Judge Nathan found that Vortic had fully disclosed the watch's restoration and lack of affiliation with Hamilton (the *Champion* factor), and then considered the relevant *Polaroid* factors in concluding there was no likelihood of confusion. Judge Nathan explained that under *Champion*, "full disclosure" of the identity of the restorer and the used nature of the product protects the seller of second-hand goods. Judge Nathan gave substantial weight to this supplemental "full disclosure" factor under *Champion*, and while she considered all of the *Polaroid* factors as well, she noted that only three such factors—actual confusion, defendant's good faith and sophistication of the buyers—were "indisputably relevant," and that each of these three factors weighed against finding likelihood of confusion.

Hamilton appealed to the Second Circuit Court of Appeals, which affirmed Judge Nathan's decision earlier this month. While Hamilton challenged the district court's factual findings and legal analysis, the legal challenge is what is interesting about the appeal. The Second Circuit first agreed that the framework laid out by *Champion* applied to this dispute, despite Hamilton's argument that *Champion* did not apply because the "reconditioning or repair" that went into The Lancaster was so extensive that it was a new watch containing Hamilton parts, not "a modified genuine Hamilton product."

The more interesting part of the Second Circuit's opinion, however, addressed how the *Champion* framework interplays with the *Polaroid* factors. Hamilton argued the district court erred by failing to first determine the likelihood of confusion under the *Polaroid* factors before turning to the "full disclosure" analysis under *Champion*, and that similar to an affirmative defense, Vortic (the defendant) bears the burden of establishing the "full disclosure" standard was met. The Second Circuit disagreed, concluding that the district court did not err in declining to require Vortic to prove the effectiveness of its disclosures under *Champion*. While Vortic did present evidence that its disclosures were effective, the Second Circuit held that because a plaintiff in a trademark infringement action bears the burden of establishing likelihood of consumer confusion, the district court correctly looked to *Champion* and the disclosures made by Vortic to determine **whether Hamilton (the plaintiff) met that burden**. Finally, in a trademark case involving refurbished goods, the Second Circuit reaffirmed that courts must consider both *Champion* and *Polaroid* in determining whether a plaintiff has met its burden, but that there is no hard and fast order in which a court must undertake that analysis.